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Dcard, the Leading Payback Card!

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DCard

The Leading Payback Card

May 5th, 2012

MGMT 413 “Entrepreneurship and Business Development”

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Executive Summary

D-Card is a payback card that is to be introduced to the Egyptian market in the beginning, and then expand to cover the Middle East and North Africa. The business is a double-sided platform with customers on one side benefitting from discounts that are dynamic and attractive, and stores on the other side benefitting from bigger market shares and free marketing. The company will make revenue from a portion of the revenue stores make from the card holders in return of the free marketing and the exposure the stores will get from being part of the network.

D-Card will propagate in the market through network marketing as holders will get their initial payment back when they spread the word and convince new customers to join. There will also be promotional events in universities and social clubs where the target market exists. Another means of promoting the card is the prestige that it offers to its holders since the whole idea of premium cards as well as the discounts and coupons are trending very well in the market, and D-Card is not as simple as any of the other ideas, besides the fact that its network will be very wide in variety and tastes, and its offers will be various and long-term, so customers will guarantee the benefit, and stores will be able to decide whether to continue using the service.

The estimated volume of users after 3 years of operation is 46,000, and a network of more than 100 stores. The business is also expected to grow to other cities in Egypt by that time and to other countries in 5 years from the beginning of its operations. Also the estimated revenue after 3 years of operation is around two and a half million Egyptian pounds.

Company Description

Vision:

Our vision is to be the market leader in the field of payback cards, and grow to cover the whole region within 10 years. We aim to reach 32,000 customers from A and B classes and a minimum of 50 stores and chains in Egypt in the first five P, and by the end of the five years, we aim to have planned operations in at least 3 other countries.

Mission:

D-Card's mission is to provide D-Card holders with a card that enables them to have discounts in many places including restaurants, hotels, cafes, clothes and accessories shops and many others with special services that the customer needs and uses on a daily bases. In order for the customer to know about the discounts we provide, we will have our own website that has all the information needed about the card, the places included in the card where our clients can receive exclusive discount, and also feedbacks from other clients that already purchased the card. In other words, the merchants will have the chance to offer discounts on their products online with some offers and deals, and the client will be able to keep on track with these offers by the website.

Product brief description:



We are providing the customer with a pre-paid card that is easily recharged through a bank account opened with the name of the card holder. The card offers the customer many discounts in a variety of places such as restaurants, cafes, clothes shops, accessories shops. Clients will be able to shop online however there will be a commission deducted. To save money, clients are advised to buy from the stores listed for discounts with the card. In order for the clients to be aware of the offers provided by the merchants, they can visit our website where they will find all the answers needed. In order to encourage people to join our network, we apply the idea of referral tracking. In other words, whoever purchase the card and invites his friends to buy the card as well, he will get a 25% of the card price back in his account. This will encourage people not only to join our network, but to invite others to join it as well. Moreover, there will be continuous shopping festivals during the year at which people are invited to try free samples and which will be filled with more beneficial and exciting offers.

Legal status:

Our card, D-card, is similar to debit cards but with less limitations. As debit cards resemble cash, there will be no legislation explicitly that covers any transactions done by our card. Unlike the credit card, we do not need any signatures that can be used to authenticate the transaction. Only basic information about the client is needed like the name, the address, and the mobile number, and minimum deposited. As a result, no legal status is needed to open our card, only a checking account at which the client can recharge his card for further use.

Product/Service

Definition

D-Card is a visa prepaid card that holders can use to buy on the spot from any store or buy online. The main benefit is offering its holders payback for the money they have paid in our network of stores whether cafes, restaurants, hotels, clothes and accessories stores or gift shops, beside a network of e-commerce websites. We agree with merchants on the discount rates they can offer, and these rates can be constant all year long or could be changing on a monthly basis. This card allows merchants to market their products online and create customer loyalty. It also allows clients to shop online safely, as the card will usually have a small sum of money, and they will still hold the right to buy from any stores that are not on our network.

D-Card business model is a 2 sided platform: merchants on one side and customers on the other. Merchants offer discounts and customers check the website constantly to find out about new stores on our network. Clients pay the full amount at the store, then D-Card receives a percentage of that from the merchant (the agreed upon discount) which is our company's main source of revenue that will be used to meet the promised payback to the client and generate profit for our company. Also, if the card is used by the client in any other store or online, the client pays D-Card a very small percentage of this transaction.

Similarities and differences with close product concepts

The concept we are implementing here is similar yet differs in some aspects from other products and services currently in the market. One close product is Xclusive card. Similar to our product, Xclusive card is a discount card that offers its clients a fixed payback/discount in some stores that do not change all year long, and clients pay a fixed subscription fee every year. Yet, Xclusive card does not hold any money itself as it is just a discount card not a Visa card like D-Card beside the fact that it cannot be used online and is limited to a number of stores. Also, Xclusive card is not flexible in the type of discount it asks the merchant to offer as the offer has to stay the same all year long unlike D-Card where the merchant has the option to have the offer for only one month.

Another concept similar to D-Card is dare'n'deal.com. Dare'n'deal.com is an e-commerce website that clients use to buy coupons that offer them discount on different products. The discount aspect is the similarity here; however, darendeal.com offers are usually limited to a certain product from a certain store unlike D-Card where offers are on anything in the store that agrees to be part of the D-Card network. Also, the main issue dare'n'deal is facing is people's lack of trust with online payment, but D-Card, holding a small amount of money, will not present a big risk to be used online in any e-commerce website similar to dare'n'deal and with time people will get used to e-payments using D-Card.

The third concept which is the one most similar to our concept is the discounts banks offer their clients for holders of cards issued by the bank and coupons that special customers receive monthly. The difference lies in the fact that these discounts usually are on very expensive products that most people don't buy so often and are targeting an older age group to the one D-Card is targeting. Also, people who can afford to buy from these stores don't like the idea of receiving discounts, but framing discounts as a payback to special customers (more of a loyalty card or premium card) will lead people to perceive D-Card as a prestigious way of purchasing to hold in any store.

Product Roadmap

D-Card will start with a launch event that a crowd of 3,000 people will be invited to attend and become the first customers of D-Card. People invited will be carefully chosen to focus on our target market and the event will be attractive to this segment. Before the launch event, D-Card will have a good number of stores on its network with a few of them co-sponsoring the launch event. Then, using network marketing and tracking referral beside online advertising D-Card will become more and more popular which will help D-Card add more and more stores to its network.

D-Card will initially be a prepaid Visa card issued by a partnering bank to D-Card company. It will have a network of stores all over Cairo, then the company is planning to expand to Alexandria, and then later on to other countries in the MENA region.

Industry analysis

Industry overview

As explained before, D-card is a combination of services as it is a prepaid debit card that when used for shopping for products or services within a network of merchants, a certain amount of money is added to the account which is known as ‘payback’ which is an indirect discount. Because of that the product falls under the umbrellas of several industries; mainly bank prepaid debit cards, loyalty cards (whether smart cards or just paper or plastic cards to show to the seller), and discount programs and coupons. It is noticeable that these three industries have been growing and improving their services in Egypt. Each of the mentioned industries is discussed separately below.

Prepaid debit cards

A. Size of the industry

The market of prepaid debit cards is huge and is growing fast. In the United States for example, in a short period of three years the amount of money loaded in prepaid debit cards jumped from \$28.9 billion to \$201.9 billion. That number is globally in an increase because many people prefer prepaid debit cards over bank checking accounts and credit cards for many reasons. In the Pew Health Group’s Financial security Portfolio study carried out in 2011, three main reasons for preferring prepaid debit cards are discussed. First, prepaid debit cards act as a tool for budget and spending control because the card holder can put a certain amount of money on the card and hence limit themselves to spend only that amount, it’s not like a credit card where the card holders can pay money they don’t actually have. Second, the benefit of anonymity that is offered in prepaid cards and not credit cards, as credit cards require credit applications with lots of personal information about the cardholder, while for debit cards all that is known is that someone at some point bought a card and paid a certain amount of money to put in it so it’s more safe to use in online purchasing. The third, is the various additional features present in prepaid debit cards like saving options and direct deposit; in other words, instead of taking physical money (cash) out of a bank account and put it in savings some cards do that feature and help customers save more, other cards offer discounts on products/services of certain shops, for the direct depositing it’s more convenient to have money on a card than to go to a bank and cash a check.

In Egypt, banks have been actively offering credit and credit cards, with public banks , like Bank El Ahly, Bank Misr, generally offering debit cards, and private banks, like CIB, NSGB, generally offering credit

cards, as number of credit cards from state-owned banks is 44,947, and that from private and joint venture banks is 193,534 and the number of debit cards from state owned banks is 373,692 and from private and joint venture banks is 92,963, according to World Bank individual surveys conducted in 2006. So overall, the number of debit card holders in Egypt was 500,000(half a million) in 2006. The reason why most debit card holders use services from state-owned banks could be explained by the fact that the private banks, although they have better services, require much more guarantees and applications which might be putting off for customers. Another reason could be that employees who work in non-international companies get their salaries on state-owned bank debit cards.

Weaknesses in Egypt's supply of banking services to small firms and households compared to other countries are due to poor market structure, poor performance of banks, lack of skills and incentives. The majority of these weaknesses can be attributed to the dominance of state-owned banks, which although they are backed up by the government and hence have better benefits for the card holder (higher interest), they lack the good and professional services provided by private banks. This is because the banking sector is dominated by state ownership, in terms of number of branches and assets. State-banks represent more than 60% of total banking assets and 85% of branches, as reported in June 2006. Recently, changes to these percentages are taking place as the banking system is being legally privatized starting from 1998 as reported by the Central bank of Egypt in 2006.

Furthermore, the level of services responsible for debit and credit card low market in Egypt, compared to other countries, can be reflected by the number of bank branches and automatic teller machines (ATMs) compared to those numbers in different counties with similar per capita-income; the branch density in Egypt is relatively low (3.62, per 100,000 people) compared to Lebanon, Saudi Arabia, Iran and Jordan's figures which are 18.01, 5.36, 8.39, 10.02 per 100,000 people respectively, and an average of 35.31 in the industrialized region. The ATMs also per 100,000 people are 1.78 in Egypt compared to 16.81, 14.7, 1.25, 9.38 respectively, with the average figure in the industrialized region reaching 73.54. These figures are according to World Bank Sector Outreach in 2005. As a result to this low level of services offered by banks in Egypt, the numbers of debit card holders in Egypt in 2006 was nearly half a million only. However, since 2006 banks have been improving credit policies and procedures, upgrading their services, widening their lending products to the non-corporate sector, diversifying their products and adjusting to the new environment. The fact that banks are being privatized is leading to new opportunities for economies of scale that lowers the cost of financial intermediation.

In 2004, the government has positioned the reform of the banking system as a priority, in the form of a five year plan that focused on two directions; privatization and restructuring of the state-owned banks,

and improving the quality of operating banks. The reform program started in 2005 and has been successful in impacting the sector positively, as it has successfully privatized Bank of Alexandria and announced plans to privatize Banque du Caire, which is Egypt's third largest bank. Also plans are being made to improve bank regulation and supervision and bring them up to international standards and best practices. The number of bank branches for example has been in an increase, from 2,585 in 2003 to 3,107 in 2008, according to HSBC global Research carried out in March 2009.

The discussed findings reflect a positive growth in banking services and present a promising future for banking services and products.

In a recent report on Visa usage in the Middle East region released by Visa International, the world's leading payment organization, results highlight the steady acceleration of many major indicators that paved the way for another year of achievement for Visa in Egypt. The figures show that the numbers of Visa cards in Egypt, including both credit and debit cards, has increased by 40% over the year, which also is one and a half times the average increase in number of cards in the Middle East region that is 27%. Egypt alone accounts for 9% increase of those 27%. For Visa debit cards specifically, the number of debit cards in Egypt has increased by a whole 61% which is more than double the regional percentage growth of debit cards which is 25%.

Visa cards are very practical, but debit cards in particular are very advantageous. Besides being used at ATMs, debit card holders can use them directly "to buy from more than 24,000 points of sale in Egypt", as stated by Visa CEMEA's Vice President and General Manager for Egypt and Libya. Those are the benefits the customer or card holder gets, there are bigger benefits to the national economy because as proved debit cards help create the first step in a relationship with the banking sector, so this helps widen the financial sector in Egypt and bridge the gap between banks and people.

In general, regarding both credit and debit cards, Visa in Egypt showed a 41% year-on-year increase in number of transactions compared (2008 and 2007), and a 42% increase in the value of the transactions.

Such results show that Visa, as a payment organization, is gaining further ground in Egypt and is starting to become a part of everyday life in Egypt. They show acceptance, reliability in such products and services and entrust their payments, big and small, personal and business. Of course, such results show that there is an acceptance and welcoming for an idea like D-card, as the services needed to make use of a prepaid debit card are being improved; like the number of bank branches, service in banks, and number of ATMs.

B. Is it profitable?

Indeed debit card business is very profitable, because money is being put into a bank account so the bank can make interests on the amounts of money in customers' debit accounts.

C. How big can it be?

As shown in section A with the number of card holders, bank branches and services increasing, and plans of privatization and improvement are being made the business is expected to grow quickly and get bigger.

D. Competitors

There are many competitors in prepaid debit cards, whether they are debit cards in state-owned or private banks. However, competing with D-card, only private owned debit cards would present a threat because of the services would be comparable to those of D-card which is also made by a private bank. Competition would be greater with well-functioning private banks that offer similar services like HSBC debit card that offers discount on products from a network of stores, and Barclay's platinum debit card that comes with many services.

E. Industry trends

Many banks are now releasing debit cards that come with a wide range of services to appeal to a wider range of customers. Examples are the discount of HSBC's debit card, and the many security services that comes with Barclay's debit card. Also debit cards are getting more personalized now and are getting more convenient and practical and can be used in so many applications which is making them an indispensable card in many people's wallets.

Moreover, D-card is not merely a prepaid debit card, as explained in section II (Product/Service) it is a collection of services tailored for customer's convenience, so the industry of the product is not limited to only that of prepaid debit cards. It also falls in the field of loyalty cards for the reason D-card is a loyalty payback card too.

Smart card loyalty systems

A. size of the industry

A smart card is a plastic card with a microprocessor or memory embedded in it that stores and transacts data. The data is transacted with a reader, this process is used in several applications like banking, entertainment, healthcare. This industry was estimated to grow and include 5.44 billion cards by 2010, in the way that markets that have been traditionally using bar coded magnetic cards are converting to smart cards.

Smartcards have a huge memory which can store a user's medical history, and it can also be loaded with cash value (credit) to pay for goods or services. It can also collect points in order to receive discounts or work as a 'payback card', known as a loyalty card. There are also gift smart cards which are loaded with money and are gifted to people to use the loaded amount of money, with no discount.

Smart cards are used for loyalty programs mainly in Europe, for example, in Turkey, the Garanti Bank Bonus MasterCard program succeeded in bringing together 2 million members with 750 stores or merchants with more than 18,000 outlets where cardholders can redeem bonus points for every purchase they make. From 2000 to 2005, the program's members have redeemed \$22 million in cash value, and \$13 million in goods and services. Because of the memory of the smart cards, much information can be saved and the cards can be personalized to better satisfy the customers. For example, a smart card loyalty program in Japan that normally offers 2 Mizu points on each \$10 paid, gives double that number of points on the cardholder's birthday with other special deals.

As for D-card, it is similar to smart cards in the aspect that money is actually loaded on a card and when it's used points are being added, however, as a start the banks will issue the cards for the customers, so the cards will be magnetic cards. Maybe on the long run the opportunity of selling smart cards will be considered.

B. is it profitable

To start such a business in Egypt for the first time is very risky as it is not known whether customers would like using this new technology and agree to paying extra for their cards, in return for better

understanding of their behaviors and making better offers. But as a concept it is profitable to the business to understand customers' needs better.

C. How big can it be?

For the time being, there are no loyalty smart cards in Egypt so the size of the industry is non existing. However, as many other forms of cards are being converted to smart cards, this indicates that this industry might grow in the region, but not now.

D. Competitors

There is no competition threat from smart card loyalty cards because there are no such cards in Egypt, although it is a very powerful tool in European countries and is competing with prepaid debit magnetic cards.

E. industry trends

The smart loyalty card is gaining much attention because businesses want to be able to get more information on their customers, their behaviors, their purchases to be able to sell them more.

Loyalty cards (paper/plastic cards)

A. Size of the industry

There are other loyalty programs that give members discounts upon showing the card. These businesses don't involve loading and transaction of money. The customer just pays less for a certain product and that deduction is compensated by the fact that more customers will come to that certain store if it's on a loyalty program network, whether new customers or repeated visits from loyal or old customers.

There are so many loyalty cards in Egypt, in Bookstores (Diwan, Alef for example) in Food stores and restaurants (Gourmet Egypt), in hotels and resorts (like Dusit Thani) and for collections of stores in a certain region like (Maadi club card) for example and (Xclusive card) for a scattered collection of products.

B. Is it profitable

It is profitable for businesses to make their own loyalty cards to get more and keep old customers.

C. How big can it be

Indicators point out that the industry has potential to grow, as it is widely expanding in many different aspects. Although there are many businesses already in this industry, most of them are doing well and retaining old customers. As the products and services increase, the customer has many options to choose from so companies have to work on retaining their customers, and hence need such loyalty programs.

D. Competitors

It is expected that there will be a competition with such loyalty cards because they help members save money by offering discounts or giving points. For example, Xclusive card is doing a good job penetrating the market and selling to people. The services besides the discounts make one competitor win over the others. In D-card's case, there are many advantages that give it a leg up.

E. industry trends

Loyalty cards are spreading very quickly and developing new trends; for example loyalty cards to a certain store, to a collection of related stores, to a collection of stores in a region or a diversified group. There are many diversified loyalty cards with different advantages.

Discount programs and coupons

A. Size of the industry

Also similar to this kind of paper/plastic cards that are not swiped in a reader machine to be able to get discounts, are coupons and coupon booklets that are for specific products in different stores. Businesses like Darendeal, offerna, cobone represent competitors to D-card, because they offer the same objective of saving money, getting deals and for the merchants getting customers to try the product and possibly become loyal. However, D-card has more advantages over such coupon businesses because it offers a prepaid debit card that can be used for many different applications (online shopping, getting cash from ATMs, getting money for every product/service bought 'payback'.)

Regarding the profitability of such industry, it is very profitable as the business of discount coupons gets a percentage of profit for every product/service purchased using that discount coupon.

B. Is it profitable

Such businesses make big profits because they get a percentage for every product sold, which is very attractive to merchants because instead of pouring money into advertising that might not end in increased sales, they directly get the job done which is increasing the number of sales for a certain product, which makes the merchant agree to offering the discount program a good percentage of their profits.

C. How big can it be

Studying the nature of such businesses like Darendeal, living social and cobone, although there were many options before darendeal started, darendeal showed a great success very quickly. So even though there are competitors in this field but there is potential for growth as there still is a demand.

D. Competitors

The number of newly rising businesses in this field in the few last years indicates the profitability and attractiveness of the industry. The same number also hints to competition that might be faced because of these multiple businesses

E. Industry trends

The observed trend here is that the offers are getting diverse to appeal to more people, the paying method is being facilitated to ease the process for customers. Also the use of websites is made to be very simple and attractive showing the latest deals and so. Many businesses are realizing the importance of having good loyalty programs to retain current customers by gaining their loyalty and to get new customers who get attracted by the loyalty programs offered. So, many trends are formed to achieve this purpose be it loyalty cards, loyalty smart cards, debit cards with services, coupons. The number of newly launched businesses for loyalty cards, coupons, reflects this.

Market analysis

Market segmentation and target market selection

As D-card is a double-sided platform, the cardholder market and the merchants or stores market is segmented according to different variables. Regarding the segmentation of the cardholders

According to gender

Male/Female: This should not make any difference, D-card targets both equally

According to age

1. Less than 18 D-card targets their parents
2. 18:25 Spend on luxury as in outings and cafes very often, spend on clothes a lot, spend on commodities very little
3. 25:30 Spend less on luxury, same on clothes, and more on commodities
4. 30 :40 Spend more on commodities , more on luxury, and same on clothes
5. More than 40 Will depend primarily on social class

According to social class

A class	Don't care about discounts, motivated by looks and status, an afford many recharges
B class	Ok with discounts, care more about looks and status, and can afford many recharges
C class	Love discounts, definitely care about looks, Cannot afford many recharges

Target segment:

A and B classes, Males and Females, 18 to 40 primarily

Segmentation of the merchants or stores market

1. Stores who have permanent customers suffer from competition, want to take market share from competitors (Cafes & clothes shops)
2. Stores who have occasional customers want to retain customers
3. Stores who sell commodities want to guarantee as much sales as possible
4. Stores that sell luxury goods target A and upper A, not our target

Target segment from stores includes the 1st three types.

Value Proposition

For merchants, the value proposition is marketing their products online to consumers without having to pay anything for this service unless a client from our network buys from them. For customers, the value proposition is receiving payback on their cards from variety of stores besides being able to buy without any payback from all other stores and the possibility of using it to buy anything online.

Buyer behavior

Based on a survey that was distributed to a sample of 33 people, mainly between 17 and 30 years old. The results showed that the majority spend between 1000-3000 per month, and that 65% of our sample could use the card to pay for 10-40% of their expenses and 30% of the sample can use to pay for more than half of their expenses. More than 80% claimed they will buy D-Card. 50% claimed 1-2 of their friends would buy D Card, 30% claimed 3 to 6, and 15% claimed more than 6. Almost everyone agreed that they want the value to recharge the card to be variable not fixed to certain values. The sample showed that people will equally use the card in different places whether restaurants and cafes, gift shops and bookstores, and gifts and accessories.

Competitor analysis:

Key competitors are businesses that offer discounts on different products and services like Daredeal, living social, offerna, cobone, and also businesses that offer magnetic discount cards like Xclusive, HSBC select, and other bank cards that offer instant discounts on products of certain stores.

The product, value proposition, business model and target customer of some of the competitors are given below:

Dare'n'deal.com

Target customer and value proposition

Darendeal target consumer is mainly young internet users, middle and upper class, looking for discount offers in different stores. That is from the client side. From the merchant side the target consumer are stores offering good service or products, but they need to advertise these products with a limited budget.

The value proposition dare'n'deal is offering is daily new discounts to clients in different stores on a number of products that clients can buy online and receive a coupon to get the service or product at the merchant's store. As for the merchant, the value proposition is online advertising and acquiring new clients without paying anything unless someone is actually interested in what this merchant is offering.

Business model

Darendeal business model is a two sided platform. Darendeal has its network of clients on one side, and its network of merchants at the other side. The model is basically agreeing deals with merchants to have a certain discount on a certain product on darendeal website, then clients can buy this product online and receive coupon to get the product at the store. Part of what the client pays goes to the merchant, and part goes to darendeal for the advertising service it offered the merchant.

Xclusive (representative for the bank cards)

The product: is a card that offers discounts on the products and services of a certain network of stores. It is not a magnetic card; the card is only presented to the cashier and s/he checks whether the client has made the required annual payment which gives the cardholder the card benefits

Value proposition:

This is also a two sided platform business, the card serves two clients; people who want to buy products with the card and people who want to sell their products through the card. The card offers to the cardholder both instant and refund (redeemable upon next visit) discounts. All instant discounts are for 10-25%, with the refund discount being set at 25%. The card offers the stores a marketing tool that advertises their products on the website, retains their customers and brings in more new customers.

Business model:

Xclusive makes money from the network of stores that pay Xclusive money to market their products and bring new customers. Xclusive then pays a certain percentage of that money to give the cardholders discounts.

Competitive analysis grid

	Merchant loyalty	Offer flexibility	Client loyalty	Initial payment issue	Additional services	Market size	Market growth	Payment/Recharge method
Darendeal	1	5	2	5	0	4	3	4
Xclusive	5	1	4	0	0	2	1	5
D Card	5	5	5	2	5	5	4	2
				client pays certain sum to buy the card and must precharge it with minimum amount	online payment and as debit card		network marketing	

Marketing plan

In the marketing plan for D-Card, the group took into consideration the four basic aspects of marketing, these being:

Product:

Our product is a payback card that allows holders to get paybacks on items they buy from our network of stores. It could be used for online purchasing as well as on the spot payment from any of our network stores promising the payback offered by the store, or from any other store for a small fee. D-Card holders will be offered bonus points as they spend certain amounts a month, or as they pay more than a threshold per purchase. They will also be constantly notified of our bonus offers and network expansions.

For stores, our product is a means of attracting new customers and increasing the loyalty of those customers to the stores' brands. The stores will not lose under any circumstance, they will only be making new customers and paying a small amount of their profits for the service besides gaining market share from their competitors as the customers will tend to visit the place that offers payback.

Place:

In the case of D-Card, marketing will take place in all the network stores, which will be spread in mainly A and B class areas, maybe a few stores in C class areas. The card will also be marketed in the partner bank branches, and on our website. These choices allow minimal loss of advertising money since they are in the places where the target customers are. Management will also target as many TV and Radio interviews as possible to reach more audience for future expansion.

Price:

In our survey, 64.3% specified that their personal monthly income is between 1000 EGP and 3000 EGP, and 32.1 % said that it is below 1000 EGP. In another question 64.3 % specified that 10 to 40% of their spending can be done through D-Card, while 14.3 % thought that the percentage is 40 to 60%, and 17.9 % thought the percentage is 60 to 90%. The majority thought that the card should have variable recharge amounts.

The numbers show that around 60 % will spend at least 100 EGP from D-Card monthly, and around 35% will spend between 400 and 700 EGP. This provides room to assume safely that the average spending for the card holder would be around 300 EGP. Recharging the card will not be limited to a certain amount, nor will it be limited to a set of amounts. The users will be free to recharge any amount they choose.

To start an account, an applicant will go to one of the partner bank's branches and ask for a D-Card. They will fill a very easy application, state whom they were referred by, and get D-Card delivered to their homes within a week. The initial deposit will be a minimum of 500 EGP, and the cost of issuing the card will be 100 EGP, given that the card holder gets 50 EGP back whenever a new applicant declares that they were referred by them. The maximum number of referrals will be 10 for one holder, which means that they can get their initial deposit back besides the paybacks.

For stores, the price is very small compared to what they could spend on an ad campaign given they will only pay when they have made a profit and they will get online advertising through our website for effectively nothing. A store will specify how much payback they are willing to give to their customers through our card, and D-Card will charge the same amount. Stores can change their payback amounts every month as a minimum period, or they can leave it constant if they wish. Stores will also be rewarded in terms of ad space on our websites and complementary SMS ads when they have been loyal for long enough, and when D-card wants to attract them to keep using the service.

Promotion:

For promotion, customers will do most of the work since they have the chance of getting back up to 50% of the initial cost if they succeed to invite new customers from their network to join the service. This is of course besides the brochures that will be available in all D-Card's network stores, and the partner bank's branches.

D-Card's website will also be a means of promotion, as the payback percentages will be regularly updated, and a weekly newsletter will be sent to subscribers if they choose to. Stores can also choose to have an SMS ad sent to the network for a charge in case they have a really appealing offer. Social media websites that are very cheap and allow as much targeting as the owners wish will be used as well. These will allow the network to expand very rapidly, which will attract more stores to join and thus more customers to be interested, and the growth will be very fast.

Upon launching D-Card, a launch event will be held that will target customers that are most likely to use the service. The event will be used as a means of promotion and free D-Card accounts will be distributed on some of the attendants to guarantee seeds of the customer network. These winners will be responsible of spreading the word and expanding the network of D-Card users.

Operational Plan

Venue and Equipment

The company will look for an incubator to begin with. Because the office rent will be a running cost of around 5,000 EGP per month, so it would be great if the company could save this money in the beginning of operation. This is of course besides saving all the other sources of running cost like bills and such. After the 3 months, the company will know enough what size it would need for an apartment and what facilities will be necessary to continue from there. For the employees, the company will also begin with the minimum possible number, and then expand as it grows. As for the equipment needed, these will be basically computers for the web developers.

Legal Status

On the legal frontier, the company will start as a limited liability partnership between the owners. Were an attractive enough investment offered, the owners can consider extending the partnership to include the investor. From the expected expenses and costs, an attractive investment would be in the range of 1,000,000 EGP, and the share that would be given in return is not to exceed 20% of the company.

Relationship with Partner Bank

One major part of the operation concept is the dependence on a partner bank. Our card is a pre-paid card that can be used for online payment, so it is a lot like a bank debit card. Also our concept depends primarily on the network of point-of-sale devices that banks rent to stores. This all points to the importance of either having the company's own network of point-of-sale devices and secure website for online transactions, or just setting an agreement with a bank to handle the card issuing and the transactions for the company in return of some benefits. The second option was the board of directors' choice.

The partner bank will benefit a lot of traffic that our network will direct to their branches to issue D-Card, and the cards will have the logo of the bank on them. They will also benefit from having all the customers' cash in their accounts without having to pay any interest. Another benefit the bank will get would be the marketing of their point of sale device to the stores of the company's network upon setting up agreements with them. In return, the bank will bear the cost of issuing new cards and opening

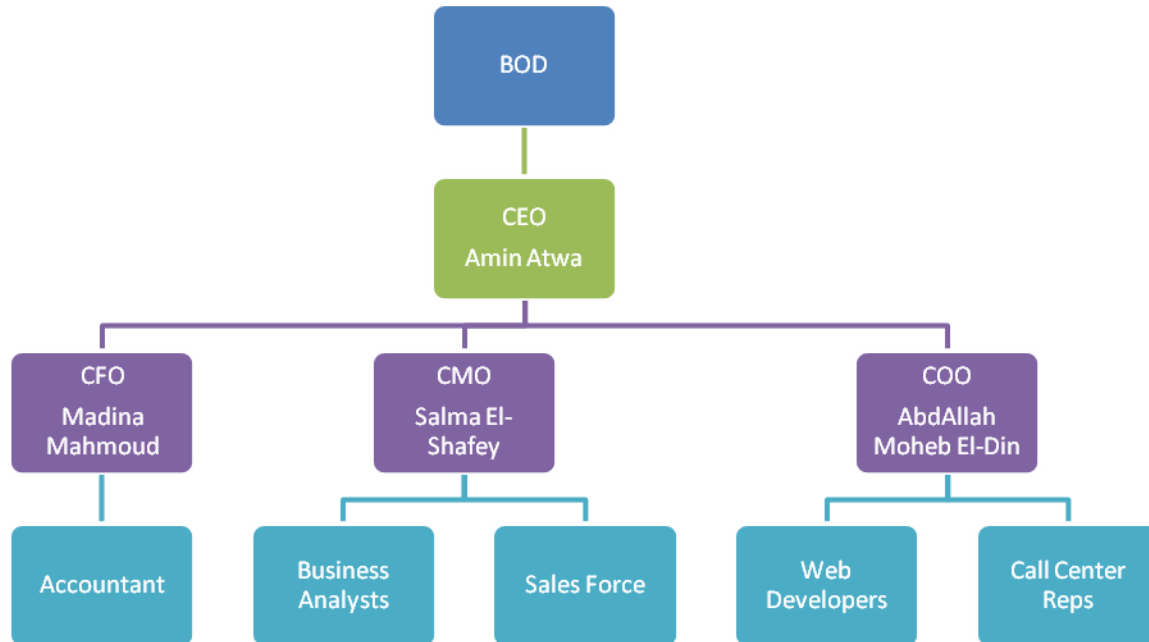
accounts, and they will also provide the company with information about all the purchases from D-cards in all the different subscribed stores.

Relationship with network stores

The operation of the company also depends on the network of stores that are offering paybacks to D-Card holders. These stores will determine what kind of people would be interested in the service and how much the company will make. The relationship will be a winning relationship for all partners in the sense that the stores will be getting publicity and will only pay after they had made a sale, customers will be getting paybacks whenever they make a purchase, and the company will be making money by providing the link between both.

The stores will be given the freedom to offer any amount of payback they wish, given that the company will take 50% of the payback amount if it is below 30%, and 35% of the amount if the payback was above 30%. The stores will be free to change the payback amount every month, and the payback will only occur to the customer by the end of every month.

Company Structure



Owners' Biographies

The first in our group is **Madina Mahmoud**, who is majoring in chemistry. She believes that chemistry is one of the most important fields of science, as it shows us how matters interact with each other to create everything around us. It is important because everything we do is chemistry; we are made out of chemicals and reactions are taking place everywhere around us. That fascinates her and is the reason why she chose chemistry as a major. After graduation, she will be doing more research and perusing further studies in chemistry. One of her dreams is to have her own chemical factory for medicines here in Egypt. She believes Egyptians are in a bad need to invest in such an industry as most of the important medicines are imported and in a bad quality. Also, another dream of hers is to have a research center that works on developing and discovering new medicines for diseases prevalent in Egypt.

The second is **Amin Atwa**, a graduating senior in electronics engineering doing a minor in business at AUC. His work experience includes an internship at Orascom Telecom IT Operations Support Department where he worked with a team responsible for reorganizing the Procurement Orders and Procurement Requests of Orascom with its Operating Companies. Also, he has had another internship at BG Egypt Commercial Department where he was required to create an introductory portfolio to the company's success. On campus, Amin was involved in a number of extracurricular activities; he identifies Cairo International Model of United Nations in which he participated as part of the organizing team and also as a delegate in the Human Rights council as one of the best experiences he has had on campus, beside being Student Senate member representing electronics engineering students.

With a multicultural background thanks to living seven years in France at a very young age and receiving American education in Cairo adding to his Egyptian cultural background, Amin developed the skills to adapt to a multicultural environment and enjoy working with people from different cultures. He is looking forward to joining a consultancy firm to gain a broader business exposure which will help him learn more about different businesses and enjoy a successful career after graduation. Also, starting a business that will add value to Egypt's economy is a long term goal that Amin is aspiring to reach.

The third is **AbdAllah Mohsen**. AbdAllah is a graduating senior studying Electronics Engineering. He also has a double minor in Computer Science and Business Administration. He works in the Career Advising and Placement Services (CAPS) office in AUC, and he has a part-time job in a start-up called Mirqah that works on developing education in Egypt. In mirqah, he is part of the game design team, where he researches about the trend of gamification of learning, and designs board games, and he also lead an initiative to start a knowledge management system for the company.

AbdAllah is very interested in education and teaching, as well as management and entrepreneurship. He plans to start his career as an engineer in a multinational where he could enhance his problem solving skills, and learn more about professional life, as well as get more exposure on the market, and then either move back to Mirqah where he can be free to innovate and explore, or start his own business right away. He can see himself doing well in either place,

as Mirqah has all the space for someone with an idea to go ahead and implement it, which is basically intrapreneurship.

The fourth is **Salma Abdelnaser**, a Biology graduating senior with minors in Chemistry and Business Administration. She works as a part-timer at Dakahlia group, in the Disease Diagnostic Laboratory. Her biggest interest is Molecular Biology, and she's currently working on a joint project between AUC and KAUST, called the ATLANTIS II project, named after the brine pool Atlantis II in the Red Sea, which has recently become an exciting interest to many microbiologists because of its extreme conditions.

Salma aspires to win the Nobel Prize in Molecular Biology, in the near future, and to find explanations to many unknowns in that field. She's also studying business courses because she thinks it's important to have a background about it, and that it makes one think of things differently and find opportunities in every problem. She also thought it would be interesting to have the knowledge and learn the skills required to come in handy if she decides to start her own small –or not so small- business someday. She first thought of studying business when she was head of the National Education Program, in Alashanek Ya Baladi, she found that she needed to know more about management, HR, and marketing, to make the best out of the program with limited budget and HR.

Assumptions

The number of customers from the launch event is 200.

The anticipated number of customers for the first year assuming 70% retention rate:

Months 1:3 → 2,000 new

Months 4:6 → 1,400 retained + 9,000 new = 10,400

Months 7:9 → 9,800 retained + 6,000 new = 15,800

Months 10:12 → 11,060 retained + 5,000 new = 16,060

The cost of issuing a new card is 15 LE provided the bank will share the burden.

The total cost for the first three years:

An average monthly amount will be incurred regardless of the number of customers which is:

Salaries:

4,000 EGP * 4 web developers = 16,000 EGP

3,500 EGP * 6 sales people = 21,000 EGP

3,000 EGP * 3 business analysts = 9,000

3,000 EGP * 1 accountant = 3,000

5,000 EGP * 4 managers = 20,000

Office Rent = 4,000

Bills (Electricity, Landline and Mobile phones) = 5,000

Which sum up to: 78,000 EGP / month i.e. 936,000 EGP / year

And a variable monthly amount that depends on the number of customers as follows

1 call center representative / 1,000 Card holders * 2,000 EGP / month

Rewards and compliments for card holder and stores ~ 5L.E/ holder / month

Months 1:3 → $(1400/1000 * 2,000)*3 = 8,400$

Months 4:6 → $(10,400/1000 * 2,000)*3 = 62,400$

Months 7:9 → $(15,800/1000 * 2,000)*3 = 94,800$

Months 10:12 → $(16,060/1000 * 2,000)*3 = 96,360$

Year 2 $(21,000/1000 * 2000)*3 = 126,000$

Year 3 $(25,200/1000 * 2000) *3 = 151,200$

Financials

Revenue from card issuing

card price	35
------------	----

months	new cards	revenue from cards
0	200	-
3	2,000	70,000
6	9,000	315,000
9	6,000	210,000
12	5,000	175,000
total	22,000	770,000

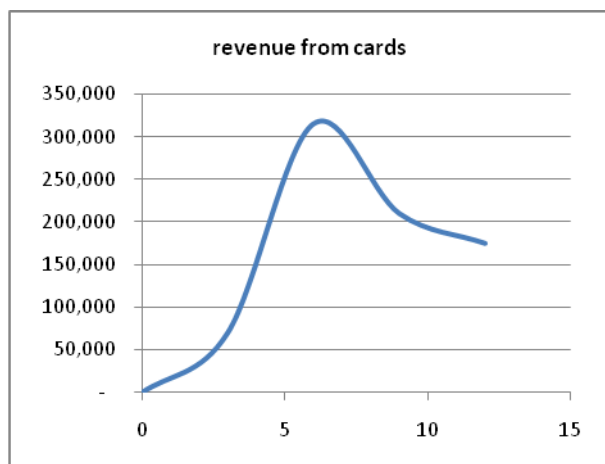


Figure 1 Revenue from card issuing in the first year

Average Spending per month

avg spending/month	2000	
% using card	25%	500
% out our network	50%	250
% in our network	50%	250
% by client out net	2%	
% by merchant in net	5%	
revenue/recharge		17.5
customer retention rate	70%	

months	new cards	total cards	total active cards	number of recharges	revenue from %
0	0	0	0	-	-
3	2,000	2,000	1400	2,100	36,750
6	9,000	11,000	7700	15,400	269,500
9	6,000	17,000	11900	23,800	416,500
12	5,000	22,000	15400	30,800	539,000
total				72,100	1,261,750

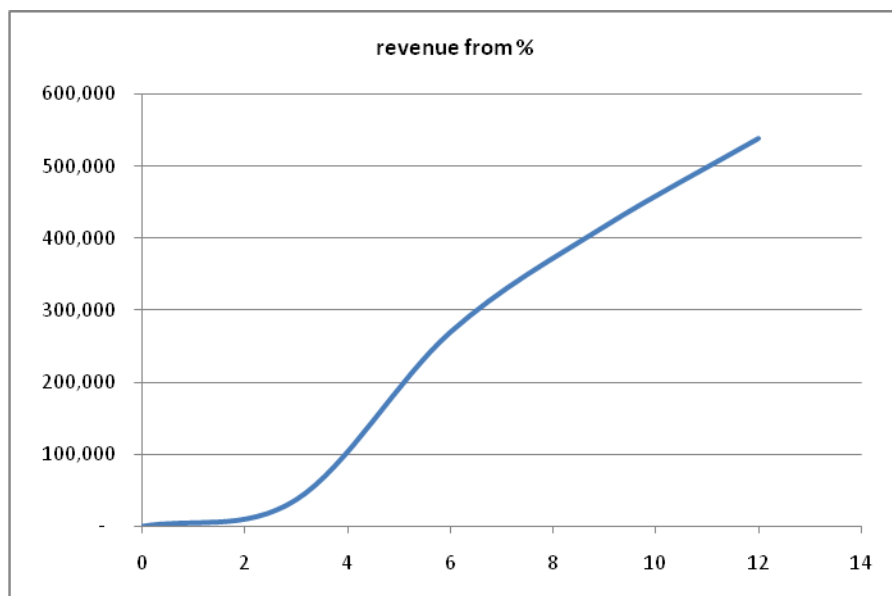
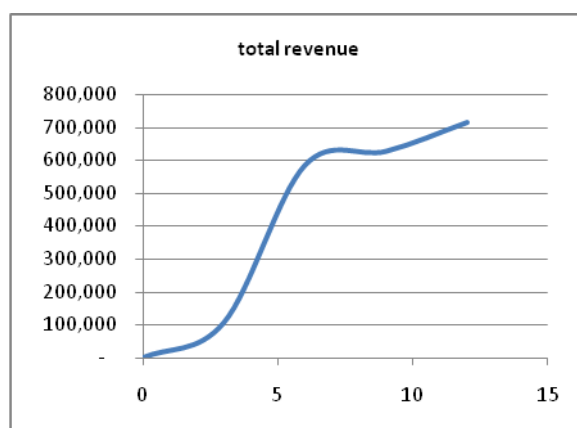


Figure 2 Revenue from Sales

months	total revenue
0	-
3	106,750
6	584,500
9	626,500
12	714,000
TOTAL	2,031,750



Year	number of new cards	revenue from cards	total number of cards	active cards	number of recharges	revenue from %	total revenue
0	0	0	0	0	0	0	0
1	22,000	770,000	22,000	15,400	72,100	1,261,750	2,031,750
2	8,000	280,000	30,000	21,000	105,000	1,837,500	2,117,500
3	6,000	210,000	36,000	25,200	126,000	2,205,000	2,415,000
4	5,000	175,000	41,000	28,700	143,500	2,511,250	2,686,250
5	5,000	175,000	46,000	32,200	161,000	2,817,500	2,992,500
total	46,000	1,610,000				10,633,000	12,243,000

Income Statements for D-Card for the first 3 years

year	first quarter	Second quarter	Third quarter	Fourth quarter	Second Year	Third Year
Net sales	236,750	1,169,500	1,016,500	1,039,000	2,637,500	2,805,000
Cost of sales	130,000	585,000	390,000	325,000	520,000	390,000
Gross profit	106,750	584,500	626,500	714,000	2,117,500	2,415,000
Operating expenses (Selling, general and administrative expenses)	242,400	296,400	328,800	330,360	1,062,000	1,087,200
Operating income (EBITDA)	-135,650	288,100	297,700	383,640	1,055,500	1,327,800
Depreciation	1,000	1,000	1,000	1,000	4,000	4,000
Operating income (EBIT)	-136,650	287,100	296,700	382,640	1,051,500	1,323,800
tax	0					
Net income	-136,650	287,100	296,700	382,640	1,051,500	1,323,800

Sources and uses of fund

In order to have sufficient liquidity for short term liabilities in the first year, an amount of 700,000 LE is needed, as the expenses of those quarters reaches 630,000 LE. After the third quarter of the first year, the generated revenues are sufficient to meet the growing expenses. Since 700,000 is not a very large sum of money, the sources of fund can be limited to two sources; personal funding, in other words family and friends, as well as a venture capital firm.

Each member in the team can provide 50,000 LE. from family and friends, giving a sum of 200,000 LE.

The other 500,000 are to be provided by a venture capital firm, because venture capital firms are likely to invest in start-ups and small businesses that have high growth potential, like our case.

Since we plan to bootstrap and cut costs, the sources of fund are not to be allocated to certain bulks of expenses like buying offices, expensive equipment, or fixed costs, the uses of fund will be to pay for short term liabilities like the monthly paid operating expenses.

Appendix A Survey Results



4. The survey is about a loyalty card that you will recharge whenever you need. It will guarantee you between 5% and 70% payback on items you buy from your favorite cafes, restaurants, and stores, even movie theaters. You will get bonus points when you invite new friends to use the card and will get bonus offers as you use your card. You can use the card to pay online, and you can spend your money in any other store outside our network for no payback. Would you buy such a card?

[Create Chart](#) [Download](#)

	Response Percent	Response Count
Yes	81.8%	27
No (If no, please specify why) Hide Responses	18.2%	6
<div> <div>Responses (6)</div> <div>Text Analysis</div> <div>My Categories (0)</div> </div>		

GOLD FEATURE: Text Analysis allows you to view frequently used words and phrases, categorize responses and turn open-ended text into data you can really use. To use Text Analysis, **upgrade to a GOLD or PLATINUM plan.**

Showing 6 text responses

No responses selected

i don't trust it
5/1/2012 10:48 AM [View Responses](#)

because am a risk taker. I don't care about insurances.
4/22/2012 9:12 PM [View Responses](#)

I dont buy much of these things
4/22/2012 2:56 PM [View Responses](#)

i am against consumerism
4/22/2012 12:34 AM [View Responses](#)

I already have a debit card which practically do all this
4/21/2012 5:14 PM [View Responses](#)

Hassel
4/21/2012 3:52 PM [View Responses](#)

5. How much of your spending could be done through this card? (You can't use it for car repair or gas for instance)

[Create Chart](#) [Download](#)

		Response Percent	Response Count
10 - 40 %		63.6%	21
40 - 60 %		18.2%	6
60 - 90 %		15.2%	5
More than 90 %		3.0%	1
answered question			33
skipped question			0

6. How many of your friends would buy such a card

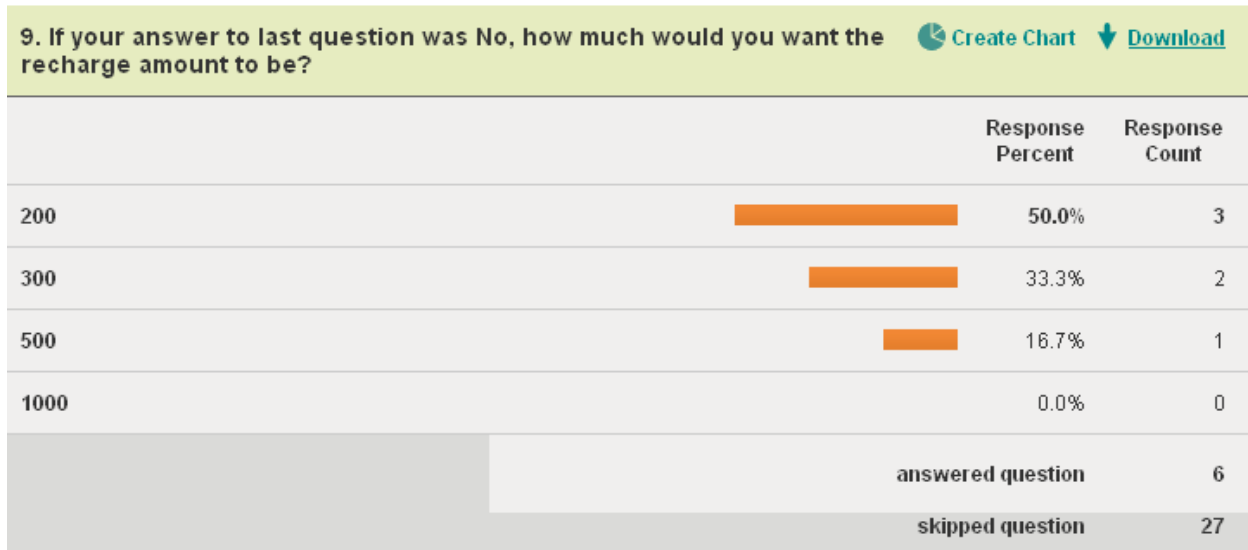
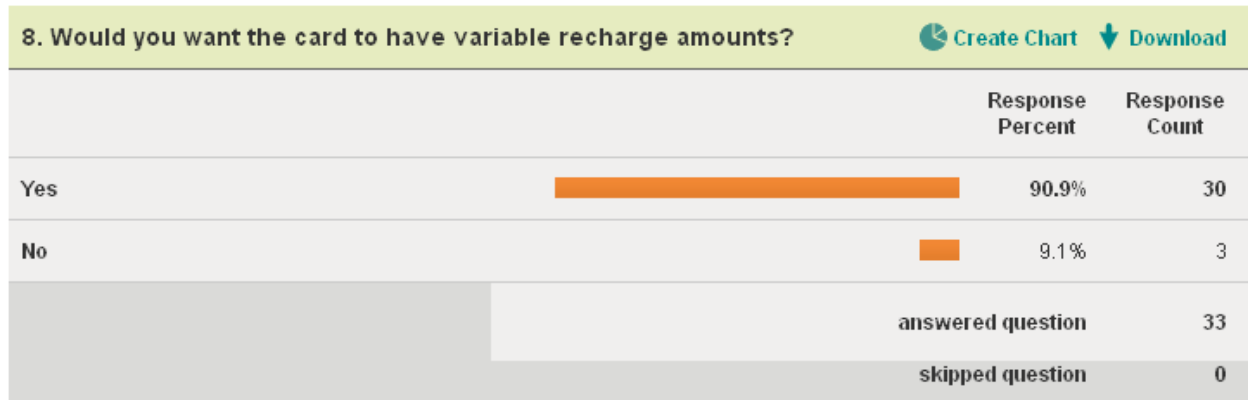
[Create Chart](#) [Download](#)

		Response Percent	Response Count
1 or 2		42.4%	14
2 to 6		39.4%	13
6 to 15		15.2%	5
Everyone I know		3.0%	1
answered question			33
skipped question			0

7. What kind of stores would you use this card for?

[Create Chart](#) [Download](#)

		Response Percent	Response Count
Clothes and Accessories		69.7%	23
Cafes and Restaurants		75.8%	25
Gift shops and Bookstores		63.6%	21
Other (please specify) Show Responses		3.0%	1
answered question			33
skipped question			0



10. Suggestions and comments
Download

Response Count

Hide Responses
5

Responses (5)
Text Analysis
My Categories (0)

GOLD FEATURE: Text Analysis allows you to view frequently used words and phrases, categorize responses and turn open-ended text into data you can really use. To use Text Analysis, **upgrade to a GOLD or PLATINUM plan.**

Showing 5 text responses
No responses selected

this idea seems great, but if done it has to have really good customer service and easy instructions, with strong networks. so that it really is a helpful tool rather than a source of frustrations and awkward positions

5/1/2012 11:51 AM [View Responses](#)

This card has to offer me an interesting set of cafes & brands in order for me to purchase it. Because there are many cards like this in the market, and they are really useless.

5/1/2012 10:49 AM [View Responses](#)

I don't really understand how this works. What do you mean by 5 to 70% payback?

4/23/2012 11:28 AM [View Responses](#)

I wouldn't use this pay back card if the prices of the shops and restaurants included in the network are higher than the ones outside the network.

4/22/2012 12:38 AM [View Responses](#)

nothing

4/21/2012 3:57 PM [View Responses](#)